

**Profits and Principles: The Operationalisation  
of  
Corporate Ethics in Australian Enterprises**

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## **Abstract**

This thesis investigated the operationalisation of corporate ethics programs in Australian-based enterprises at the beginning of the new millennium. Three major research questions were identified for investigation. First, the study investigated the processes Australian-based enterprises use to formulate, communicate, monitor and enforce their written standards of ethical business conduct. Second, it benchmarked these processes against best practices identified in the literature as guidelines for effectiveness. Third, it investigated program processes associated with seven behavioural outcomes relevant to effective corporate ethics programs.

The research used quantitative and qualitative methodologies. The quantitative component involved a survey of the top 1500 Australian enterprises by dollar value which yielded a useable response rate of 19.4 percent or 291 enterprises. The qualitative component involved 33 interviews with personnel across ten enterprises, as well as written standards from those enterprises. These were used to give meaning and nuance to the survey data.

The research resulted in a comprehensive data set on the processes utilised by Australian-based enterprises to operationalise their corporate ethics programs. It also provided data on the perceptions of managers in Australian-based enterprises regarding the effectiveness of their corporate ethics programs and the impact that corporate ethics program processes have on a given set of behavioural outcomes of organisational members. The analysis and discussion of the research findings led to the identification of ten key corporate ethics program processes associated with desirable outcomes of effective corporate ethics programs.

The findings from this study show that Australian-based enterprises have in place the processes deemed necessary for an effective corporate ethics program, but that a number of processes still need to be developed. Processes requiring further development are ethics training, formal periodic auditing, anonymous reporting mechanisms and the linkage of performance management and reward systems to ethics compliance. On the positive side, not only do the majority of Australian enterprises have formal written standards of ethical business conduct, but these have been tailored to the needs, issues and challenges of the environments in which the enterprises operate. The study also found that senior management has high levels of responsibility for all aspects of corporate ethics programs in Australian enterprises.

This research holds a range of implications relevant to 1) theory development in the field of business ethics, 2) policy analysis and development in the areas of government and corporate self-regulation, and 3) management practice for operationalising corporate ethics programs, building ethical organisations and establishing a corporate ethos of acting with integrity. A model for operationalising corporate ethics program is presented.

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## GLOSSARY OF TERMS

|                                  |  |
|----------------------------------|--|
| <b>ANOVA</b>                     | Analysis-of-variance   |
| <b>CEO</b>                       | Chief Executive Officer  |
| <b>ERC</b>                       | Ethics Resource Centre (Washington, DC, U.S.A.)  |
| <b>Corporate Ethical Culture</b> | The values, beliefs, goals, norms and decision-making practices that organisational members share. It is often referred to as the informal and social system that sets norms for employee behaviour.   |
| <b>Ethics</b>                    | The duties or obligations of an individual or group (including enterprises) to uphold a standard of right or wrong. It refers to what one 'ought' or 'should' do when faced with a decision about the right thing to do.   |
| <b>Ethics Program</b>            | A systematic approach by enterprises to develop written standards of ethical behaviour, educate their members about those standards and operationalise them through formal and informal organisational systems.  |
| <b>FSGO</b>                      | Federal Sentencing Guidelines for Organisations (U.S.), 1991; amended 2004   |
| <b>HRM</b>                       | Human resource management  |
| <b>IBE</b>                       | Institute of Business Ethics (London, U.K.)  |
| <b>MANOVA</b>                    | Multivariate analysis-of-variance  |
| <b>Normative Ethics</b>          | A systematic attempt through the use of reason to explain and justify the basic moral principles or moral values found in a given society or human society as a whole. These moral principles establish standards for distinguishing ethical from unethical behaviour. |
| <b>PJC</b>                       | Parliamentary Joint Committee on Corporations and Financial Services (Australia, 2006)   |
| <b>Written Standards</b>         | Refers to written standards of ethical business conduct that help employees to distinguish right behaviour from wrong behaviour in the workplace.  |